

Report On Audit

**HOUSING AUTHORITY OF THE
COUNTY OF MORRIS**

**For the Year Ended
December 31, 2013**

Housing Authority of the County of Morris

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the County of Morris (a governmental public corporation) in Morris County, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of December 31, 2013 and 2012, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the County of Morris's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of Morris's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority of the County of Morris as of December 31, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year's then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 4 through 17 and pages 52-53 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards accepted in the United States of America, which consisted of inquiries of management about the method of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Lastly, the supplemental information on the accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued reports dated May 7, 2014 on our consideration of the Housing Authority of the County of Morris's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: May 7, 2014

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

As Management of the Housing Authority of the County of Morris (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 18 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

Net position of the Authority's enterprise fund was \$22,831,044 greater than the liabilities, a decrease in the financial position of \$891,753 or 4% percent.

As noted above, the net position of the Authority exceeded its liabilities by \$22,831,044 as of December 31, 2013. Of this amount, the unrestricted net position is \$2,851,430 representing a decrease of \$136,023 or 5% percent from the previous year. The net investment in capital assets decreased \$499,727 or 3% percent for an ending balance of \$19,212,396. The restricted net position decreased \$256,003 from the previous year for an ending balance of \$767,218. Additional information on the Authority's restricted and unrestricted net positions can be found in Note 20 & Note 21 to the financial statements, which is included in this report.

The Authority's unrestricted cash, and cash equivalent at December 31, 2013 is \$1,551,672 representing an increase of \$271,730 or 21% percent from the prior year. Total restricted cash increased \$124,924 or 12% percent for an ending balance of \$1,142,858. The full detail of these amounts can be found in the Statement of Cash Flow on pages 21-22 of this report.

The Authority's total assets are \$27,819,219 of which capital assets net book value is \$23,010,022, leaving total current assets at \$4,809,197. Total current assets increased from the previous year by \$197,461 or 4% percent. Unrestricted cash and cash equivalents increased by \$271,730, restricted cash and cash equivalents increased \$124,924, account's receivables decreased by \$9,635, and investments decreased by \$189,558.

The Authority's total liabilities are reported at \$4,988,175, of which noncurrent liabilities are stated at \$4,053,728. Total liabilities increased during the year as compared to the prior year in the amount of \$299,248, or 6% percent. Total current liabilities increased during the year by \$336,124, leaving non-current liabilities for a decrease of \$36,876 as compared to the previous year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL HIGHLIGHTS - CONTINUED

Total current liabilities increased from the previous year by \$336,124 or 56% percent. Accounts payables increased by \$279,999, mainly due to increases in vendor payables. Accrued liabilities increased by \$3,003, tenant security deposit payable increased by \$1,263, unearned revenue decreased \$1,522, current portion of long term debt increased by \$7,910, and other current liabilities increased \$45,471.

Total noncurrent liabilities decreased by \$36,876 or 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$170,779, with no offsetting assets, increased \$12,959 from the previous year. Long-term debt (mortgage payable) decreased \$104,254 for an ending balance of \$3,693,372, and other noncurrent liabilities increased \$54,419 or 40% percent.

The Authority had total operating revenue of \$10,124,242 as compared to \$10,352,197 from the prior year for a decrease of \$227,955 or 2% percent. The Authority had total operating expenses of \$10,984,972 as compared to \$10,915,051 from the previous year for an increase of \$69,921 or 1% percent, resulting in a deficiency of revenue from operations in the amount of \$860,730 for the current year as compared to excess expenses over revenue from operations in the amount of \$562,854 for an increase in expenses over revenue of \$297,876 or 53% percent from the previous year.

Total capital improvements contributions from HUD were in the amount of \$189,577 as compared to \$84,702 from the previous year for an increase of \$104,875 or 124% percent.

The Authority had capital outlays in the amount of \$487,705 for the fiscal year. These expenditures were funded by grants received during the year from the U.S. Department of Housing and Urban Development in the amount of \$189,577 with the excess coming from the Authority's reserves. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 7 Fixed Assets.

The Authority's Expenditures of Federal Awards amounted to \$7,554,560 for the year 2013 as compared to \$7,724,332 for the previous year 2012 for a decrease of \$169,772 or 2% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Low Rent Public Housing
2. Housing Choice Vouchers
3. Public Housing Capital Fund Program
4. Formula Capital Fund Stimulus Grant
5. Rural Development (RD) Programs
6. State - Congregate Housing Services Program

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

USING THIS ANNUAL REPORT – CONTINUED

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flow
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

Statement of Cash Flow– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current year (i.e. accounts receivable, notes receivable, etc.).

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 50.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on page 51 of this report.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.
2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and OMB Circular A- 133 establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the County of Morris are those which equal or exceeded \$300,000 in expenditures for the year ended December 31, 2013. Type B programs for the Housing Authority of the County of Morris are those which are less than \$300,000 in expenditures for the year ended December 31, 2013.

The budget comparison of actual results to the Authority's adopted budget for the Low Income Public Housing Program can be found on page 52 the Section Eight Housing Choice Voucher Program on page 53.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between December 31, 2013 and December 31, 2012:

	<u>Year Ended</u>		Increase
	December-13	December-12	(Decrease)
Cash	\$ 2,694,530	\$ 2,297,876	\$ 396,654
Other Current Assets	2,114,667	2,313,860	(199,193)
Capital Assets - Net	23,010,022	23,611,942	(601,920)
Other Assets	-	188,046	(188,046)
Total Assets	27,819,219	28,411,724	(592,505)
Less: Current Liabilities	(934,447)	(598,323)	(336,124)
Less: Non Current Liabilities	(4,053,728)	(4,090,604)	36,876
Net Position	<u>\$ 22,831,044</u>	<u>\$ 23,722,797</u>	<u>\$ (891,753)</u>
Net Investment in Capital Assets	\$ 19,212,396	\$ 19,712,123	\$ (499,727)
Restricted Net Position	767,218	1,023,221	(256,003)
Unrestricted Net Position	2,851,430	2,987,453	(136,023)
Net Position	<u>\$ 22,831,044</u>	<u>\$ 23,722,797</u>	<u>\$ (891,753)</u>

Cash increased by \$396,654 or 17% percent. Net cash provided by operating activities was \$619,900, net cash used by capital and related financing activities was \$426,224, and net cash provided by investing activities was \$202,978. The full detail of this amount can be found in the Statement of Cash Flow on page 21-22 of this audit report.

The changes in other current assets included account receivable decreasing \$9,635, and investments decreasing \$189,558.

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$601,920 or 3% percent. The major factor that contributed for the decrease was the purchase of fixed assets in the amount of \$487,705, less the recording of depreciation expense in the amount of \$1,089,625. A full detail of capital outlays can be found in the Notes to the Financial Statements section Note - 7 Fixed Assets.

The Authority reported a decrease in other assets in the amount of \$188,046. The amount consisted of HUD CFP future funds receivables and the amortization of the underwriters cost for the financing of mortgage. The full amount was written off due to a change in the method of accounting due to new guidance from GASB. A full detail of these accounts can be found in the Notes to the Financial Statements section Notes 8 & 9.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

Total current liabilities increased from the previous year by \$336,124 or 56% percent. Accounts payables increased by \$279,999, mainly due to increases in vendor payables. Accrued liabilities increased by \$3,003, tenant security deposit payable increased by \$1,263, unearned revenue decreased \$1,522, current portion of long term debt increased by \$7,910, and other current liabilities increased \$45,471.

Total noncurrent liabilities decreased by \$36,876 or 1% percent. Long-term obligations such as noncurrent compensated absences with an ending balance of \$170,779, with no offsetting assets, increased \$12,959 from the previous year. Long-term debt (mortgage payable) decreased \$104,254 for an ending balance of \$3,693,372, and other noncurrent liabilities increased \$54,419 or 40% percent.

The Authority's reported net position of \$22,831,044 is made up of three categories. The net investment in capital assets in the amount of \$19,212,396 represents 84% percent of the total account balance. The net investment in capital assets (e.g., land, buildings, vehicles, equipment, and construction in process); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide housing services to the tenants; consequently, these assets are not available for future spending. The schedule below reflects the activity in this account for the current year:

Balance December 31, 2012	19,712,123
Acquisition in Fixed Assets	487,705
Depreciation Expense	(1,089,625)
Financing Cost	102,193
Balance December 31, 2013	<u>19,212,396</u>

The Housing Authority of the County of Morris operating results for December 31, 2013 reported a decrease in unrestricted net position of \$136,023 or 5% percent for an ending balance of \$2,851,430. The Authority reported restricted net position in the amount of \$767,218 which decreased \$256,003 or 25% percent compared to the prior year. A full detail of these accounts can be found in the Notes to the Financial Statements section Notes – 20 & 21.

At the end of the current year, the Authority is able to report positive balances in the three categories of net position. The same situation held true for the prior year.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following summarizes the changes in Net Position between December 31, 2013 and December 31, 2012:

	<u>Year Ended</u>		<u>Increase</u>
	<u>December-13</u>	<u>December-12</u>	<u>(Decrease)</u>
<u>Revenues</u>			
Tenant Revenues	\$ 1,932,725	\$ 1,872,288	\$ 60,437
HUD Subsidies	7,364,983	7,639,630	(274,647)
Other Revenues	826,534	840,279	(13,745)
Total Operating Income	10,124,242	10,352,197	(227,955)
<u>Expenses</u>			
Operating Expenses	9,895,347	9,856,673	38,674
Depreciation Expense	1,089,625	1,058,378	31,247
Total Operating Expenses	10,984,972	10,915,051	69,921
Operating Income before Non Operating Income	(860,730)	(562,854)	(297,876)
Investment Income	13,030	13,809	(779)
Extraordinary Maintenance	(35,584)	(13,750)	(21,834)
HUD Capital Grants	189,577	84,702	104,875
Change in Net Position	(693,707)	(478,093)	(215,614)
Net Position Prior Year	23,722,797	24,200,890	(478,093)
Prior Period Adjustment	(198,046)	-	(198,046)
Total Net Position	\$ 22,831,044	\$ 23,722,797	\$ (891,753)

Approximately 73% percent of the Authority's total revenue was provided by HUD operating subsidy, while 19% percent resulted from tenant revenue. Charges for various services and fraud recovery provided for the remaining 8% percent of the total operating income.

The Housing Authority of the County of Morris received capital fund improvement grant money during the year in the amount of \$185,977 as compared to \$84,702 for the previous year. The Authority had capital expenditures of \$487,705. The current year additions included ranges and refrigerators, laundry machines, hallway and apartment carpeting, paving and curbing, and hot water heater replacements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED:

The Authority operating expenses cover a range of expenses. The largest expense was for Housing Assistance Payments representing 53% percent of total operating expenses. Administrative expenses accounted for 15% percent, utilities expense accounted for 6% percent, maintenance expense accounted for 10% percent, other operating expenses accounted for 6% percent, and depreciation accounted for the remaining 10% of the total operating expenses.

The Authority operating expenses exceeded its operating revenue resulting in a deficiency of revenue from operations in the amount of \$860,730 from operations as compared to excess expenses over revenue from operations of \$562,854 for the previous year. The key elements for the increase in deficit in comparison to the prior year are as follow:

- The Authority experienced a decrease in HUD operating grants in the amount of \$274,647, or 4% percent, due to funding cuts to HUD by United States Congress.
- Tenant rental revenue increased \$60,437 or 3% percent and fraud recovery increased \$42,625 or 99% percent.
- Other revenue decreased \$59,585 or 8% percent.
- Tenant services expenses increased \$24,168 or 40% percent, utilities expenses increased \$47,035 or 7% percent, maintenance expenses increased \$85,709 or 9% percent, and housing assistance payments increased \$385,287 or 7% percent.
- Other operating expenses decreased \$507,413 or 45% percent due to decreases in port expenses for the Voucher program.

Total net cash provided by operating activities during the year was \$619,900. A full detail of this amount can be found on the Statement of Cash Flow on page 21-22 of this report.

Overall the Authority reported a decrease in unrestricted net position of \$136,023 or a decrease of 5% percent for an ending balance of \$2,851,430. Additional information on the Authority's unrestricted net position can be found in Note 21 to the financial statements, which is included in this report.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The following are financial highlights of significant items for a four year period of time ending on December 31, 2013:

	December-13	December-12	December-11	December-10
Significant Income				
Total Tenant Revenue	\$ 1,932,725	\$ 1,872,288	\$ 1,891,858	\$ 1,938,044
HUD Operating Grants	7,364,983	7,639,630	7,709,890	7,747,584
HUD Capital Grants	189,577	84,702	692,675	598,199
Investment Income	13,030	13,809	17,202	26,082
Other Income	826,534	840,279	965,551	972,972
Total	<u>\$ 10,326,849</u>	<u>\$ 10,450,708</u>	<u>\$ 11,277,176</u>	<u>\$ 11,282,881</u>
Payroll Expense				
Administrative Salaries	\$ 1,017,766	\$ 996,119	\$ 943,992	\$ 1,010,773
Tenant Services Salaries	60,446	28,335	82,783	63,752
Utilities Labor	60,330	59,266	76,620	87,472
Maintenance Labor	256,776	242,148	295,110	328,920
Employee Benefits Expense	427,918	445,363	454,823	431,089
Total Payroll Expense	<u>\$ 1,823,236</u>	<u>\$ 1,771,231</u>	<u>\$ 1,853,328</u>	<u>\$ 1,922,006</u>
Other Significant Expenses				
Other Administrative Expenses	\$ 304,455	\$ 305,520	\$ 326,376	\$ 322,664
Utilities Expense	613,229	565,138	617,036	673,853
Maintenance Materials Cost	148,951	113,306	65,921	77,385
Maintenance Contract Cost	567,968	538,023	669,799	492,899
Insurance Premiums	161,565	155,045	166,688	165,056
Housing Assistance Payments	5,794,060	5,408,773	6,043,119	5,803,815
Total	<u>\$ 7,590,228</u>	<u>\$ 7,085,805</u>	<u>\$ 7,888,939</u>	<u>\$ 7,535,672</u>
Total Operating Expenses	<u>\$ 10,984,972</u>	<u>\$ 10,915,051</u>	<u>\$ 11,885,158</u>	<u>\$ 10,985,441</u>
Total of Federal Awards	<u>\$ 7,554,560</u>	<u>\$ 7,724,332</u>	<u>\$ 8,402,565</u>	<u>\$ 8,345,783</u>

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were not sufficient to cover all expenses excluding depreciation expense. The Authority's unrestricted net position appears sufficient to cover any foreseeable shortfall rising from a possible economic turndown and reduced subsidies and grants.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS

Public Housing Program

Under the Public Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts: (a) 30% percent of the family's adjusted monthly income, (b) 10% percent of the family's monthly income, or (c) the Housing Authority of the County of Morris flat rent amount.

Housing Choice Voucher Program and the N/C - S/R Section 8 Program

Under the Housing Choice Voucher Program and the N/C - S/R Section 8 program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

Capital Fund Program

The public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments and homes to keep them clean, safe and in good condition.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

THE HOUSING AUTHORITY OF THE COUNTY OF MORRIS PROGRAMS - CONTINUED

Rural Development (RD) Programs

The RD programs consist of two projects. The Morris Mews project has 101 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% percent of household income subject to certain restrictions.

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2013, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The budget for the Low Rent Public Housing was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The full detail can be found in the Budget comparison to actual results for the Low Rent Public Housing Program on page 52 of this report.

The budget for the Housing Choice Voucher Program was adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development (HUD), which differ in some respects from generally accepted accounting principles. The Housing Choice Voucher program Housing Assistance Payments (HAP) funds were approved by the U.S. Department of Housing and Urban Development (HUD) on a basis consistent with the grant application covering HAP programs. The full detail can be found in the Budget comparison to actual results for the Housing Choice Voucher Program on page 53 of this report.

NEW INITIATIVES

For the year 2013 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 73% percent of its revenue from the Department of Housing and Urban Development, (2012 was 74% percent), the Authority is constantly monitoring for any appropriation changes especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services. Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the County of Morris all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

For 2013 due to budget cuts once again by Congress, HUD prorated everyone's eligibility for operating funds at 81.86%. For calendar year 2013 the Authority was eligible for \$627,292, after the proration the Authority was only able to receive \$514,954, which is a decrease in funding of \$112,338.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of December 31, 2013 was \$23,010,022 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles, equipment, and construction in progress. The total decrease during the year in the Authority's investment in capital assets was \$601,920 or 3% percent. Major capital expenditures of \$487,705 were made during the year. Major capital assets events during the year included the following:

- Ranges and Refrigerators
- Hot Water Heaters
- Hallway and Apartment Carpeting
- Paving and Curbing

	December-13	December-12	Change
Land	\$ 1,735,369	\$ 1,735,369	\$ -
Building	37,851,402	37,635,677	215,725
Furniture, Equipment - Dwelling	921,839	708,706	213,133
Furniture, Equipment - Administration	434,387	555,117	(120,730)
Leasehold Improvements	152,457	-	152,457
Construction in Process	898,176	871,056	27,120
Total Fixed Assets	41,993,630	41,505,925	487,705
Accumulated Depreciation	(18,983,608)	(17,893,983)	(1,089,625)
Net Book Value	\$ 23,010,022	\$ 23,611,942	\$ (601,920)

Additional information on the Authority's capital assets can be found in Note 7 to the financial statements, which is included in this report.

2 - Debt Administration

Long Term Debt

a. The Authority has participated in the New Jersey pooled leveraging program. Restricted Cash relating to the bonded debt stood at \$-0- at the end of the fiscal year, with Capital Project Bond payable of \$180,000 in outstanding debt. A full disclosure of loans payable at December 31, 2013 can be found in Note-20.

b. RD provided mortgages of \$3,716,803 and \$701,974 for the Morris Mews and Congregate Housing Program respectively. The Morris Mews mortgage is for 50 years at 9% percent interest and monthly payments of \$29,308. The balance outstanding at December 31, 2013 was \$3,017,721. The Congregate Housing Program is for 40 years at 7.25% percent which is subsidized by Rural Development. The monthly payments are \$1,778 and the balance outstanding at December 31, 2013 was \$599,905.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT DECEMBER 31, 2013**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of County of Morris is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.

The capital budgets for the 2013 year have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

The following factors were considered in preparing the Authority's budget for the year ending December 31, 2014.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the Department of Defense and Homeland Security due to the war on terrorism and other impending military activities will probably result in reduced appropriations for all other domestic program spending.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Inflationary pressure on utility rates, supplies and other cost.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments. The Authority accepted the administration of a 15 year project based housing choice vouchers.
- Even if HUD was fully funded for both the Operating and Capital Funds, it is unlikely that Congress would appropriate adequate funding. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roberta L. Strater, Executive Director, Housing Authority of the County of Morris, 99 Ketch Road, Morristown, N.J. 07960, or call (973)540-0389.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -1
AS OF DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	\$ 1,551,672	\$ 1,279,942
Cash and Cash Equivalents - Restricted	1,142,858	1,017,934
Accounts Receivables, Net of Allowances	68,772	78,407
Investments	2,045,895	2,235,453
Total Current Assets	<u>4,809,197</u>	<u>4,611,736</u>
Noncurrent Assets		
Capital Assets		
Land	1,735,369	1,735,369
Building	37,851,402	37,635,677
Furniture, Equipment - Dwelling	921,839	708,706
Furniture, Equipment - Administration	434,387	555,117
Leasehold Improvements	152,457	-
Construction in Process	898,176	871,056
Total Capital Assets	<u>41,993,630</u>	<u>41,505,925</u>
Less: Accumulated Depreciation	<u>(18,983,608)</u>	<u>(17,893,983)</u>
Net Book Value	<u>23,010,022</u>	<u>23,611,942</u>
Other Assets		
Grants Receivable - Non Current	-	168,649
Other Assets	-	19,397
Total Other Assets	<u>-</u>	<u>188,046</u>
 Total Noncurrent Assets	 <u>23,010,022</u>	 <u>23,799,988</u>
 Total Assets	 <u>27,819,219</u>	 <u>28,411,724</u>
Deferred Outflow of Resources		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflow of Resources	 <u>\$ 27,819,219</u>	 <u>\$ 28,411,724</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF NET POSITION -2
AS OF DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 548,321	\$ 268,322
Accrued Liabilities	47,538	44,535
Tenant Security Deposit Payable	186,063	184,800
Unearned Revenue	2,800	4,322
Mortgage Payable - Current Portion	104,254	96,344
Other Current Liabilities	45,471	-
Total Current Liabilities	<u>934,447</u>	<u>598,323</u>
Noncurrent Liabilities		
Mortgage Payable - Long Term	3,693,372	3,797,626
Other Noncurrent Liabilities	189,577	135,158
Accrued Compensated Absences - Long-Term	170,779	157,820
Total Noncurrent Liabilities	<u>4,053,728</u>	<u>4,090,604</u>
Total Liabilities	<u>4,988,175</u>	<u>4,688,927</u>
Deferred Inflow of Resources		
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>
Net Position:		
Net Investments in Capital Assets	19,212,396	19,712,123
Restricted Net Position	767,218	1,023,221
Unrestricted Net Position	2,851,430	2,987,453
Total Net Position	<u>22,831,044</u>	<u>23,722,797</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 27,819,219</u>	<u>\$ 28,411,724</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Revenue:		
Tenant Rental Revenue	\$ 1,932,725	\$ 1,872,288
HUD PHA Operating Grants	7,364,983	7,639,630
Other Governmental Grants	47,013	43,798
Fraud Recovery	85,659	43,034
Other Revenue	693,862	753,447
Total Revenue	<u>10,124,242</u>	<u>10,352,197</u>
Operating Expenses:		
Administrative Expense	1,631,319	1,627,431
Tenant Services	85,015	60,847
Utilities Expense	693,181	646,146
Maintenance Expense	1,067,396	981,687
Other Operating Expenses	624,376	1,131,789
Housing Assistance Payments	5,794,060	5,408,773
Depreciations Expense	1,089,625	1,058,378
Total Operating Expenses	<u>10,984,972</u>	<u>10,915,051</u>
Excess Expenses Over Revenue From Operations	<u>(860,730)</u>	<u>(562,854)</u>
Non Operating Income and (Expenses):		
Investment Income	13,030	13,809
Extraordinary Maintenance	(35,584)	(13,750)
Total Non Operating Income	<u>(22,554)</u>	<u>59</u>
Revenue Before Capital Grant Contributions	(883,284)	(562,795)
Capital Grant Contributions	<u>189,577</u>	<u>84,702</u>
Change in Net Position	<u>(693,707)</u>	<u>(478,093)</u>
Beginning Net Position	23,722,797	24,200,890
Prior Period Adjustments	(198,046)	-
Beginning Net Position, Restated	<u>23,524,751</u>	<u>24,200,890</u>
Ending Net Position	<u>\$ 22,831,044</u>	<u>\$ 23,722,797</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW - 1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

	December 31,	
	2013	2012
Cash Flow From Operating Activities		
Receipts from Tenants	\$ 1,939,058	\$ 1,866,269
Receipts from Federal Grants	7,354,755	7,657,479
Receipts from Other Grants	49,915	43,798
Receipts from Misc. Sources	726,513	796,481
Payments to Vendors and Suppliers	(1,219,816)	(2,866,474)
Payments for Housing Assistance Payments	(5,794,060)	(5,408,773)
Payments to Employees	(1,395,318)	(1,325,868)
Payment of Employee Benefits	(427,918)	(445,363)
Payments for Utilities	(613,229)	(565,138)
Net Cash Provided (Used) by Operating Activities	<u>619,900</u>	<u>(247,589)</u>
Cash Flow From Capital and Related Financing Activities		
Receipts from Capital Grants	189,577	84,702
Principal Paid on Debt	(96,344)	(89,099)
Acquisitions and Construction of Capital Assets	(487,705)	(475,290)
Extraordinary Expense	(35,584)	(13,750)
Increase in Grant Receivable	-	10,000
Change in Other Assets Non Current	-	1,292
Receipt from Tenant Security Deposit	1,263	8,391
Increase in Compensated Absences	12,959	7,976
Prior Period Adjustment - Net Cash	(10,390)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(426,224)</u>	<u>(465,778)</u>
Cash Flow From Investing Activities		
Interest Income	13,420	13,809
Purchase of Investments	-	(1,035,009)
Sale of Investments	189,558	-
Net Cash Provided (Used) by Investing Activities	<u>202,978</u>	<u>(1,021,200)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	396,654	(1,734,567)
Beginning Cash	<u>2,297,876</u>	<u>4,032,443</u>
Ending Cash	<u>\$ 2,694,530</u>	<u>\$ 2,297,876</u>
<u>Reconciliation of Cash Balances:</u>		
Cash and Cash Equivalents - Unrestricted	\$ 1,551,672	\$ 1,279,942
Tenant Security Deposit	186,063	184,800
HAP Reserve	229,474	222,702
Rural Housing Reserve	135,933	135,756
Morris Mews Reserves	401,811	401,511
FSS Participants	189,577	73,165
Total Ending Cash	<u>\$ 2,694,530</u>	<u>\$ 2,297,876</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT OF CASH FLOW -1
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013 AND 2012

	December 31, 2013	2012
Reconciliation of Operating Income to Net Cash		
(Used) by Operating Activities		
Excess of Expense Over Revenue - Operations	\$ (860,730)	\$ (562,854)
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:		
Depreciation Expense - net of adjustments	1,089,625	1,058,378
(Increase) Decrease in:		
Accounts Receivables	9,635	(44)
Prepaid Expenses	-	14,407
Increase (Decrease) in:		
Accounts Payable	279,999	(790,936)
Accrued Liabilities	3,003	362
Other Current Liabilities	45,471	(3,512)
Unearned Revenue	(1,522)	2,352
Other Non Current Liabilities	54,419	34,258
Net Cash Provided (Used) by Operating Activities	<u>\$ 619,900</u>	<u>\$ (247,589)</u>
Interest expense paid during the year	<u>\$ 328,191</u>	<u>\$ 335,413</u>

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 4A: the Housing Authority Act) for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the County of Morris in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in the County of Morris. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Board of Chosen Freeholders of Morris County, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the County of Morris reporting entity.

Based on the following criteria, the Authority has not identified an entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in Section 2100 of GASB's Codification of governmental Accounting and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The primary government holds the corporate powers of the organization.
- C. The primary government appoints a voting majority of the organization's board.
- D. The primary government is able to impose its will on the organization.
- E. There is calendar dependency by the organization on the primary government.
- F. The organization has potential to impose a financial benefit or burden on the primary government.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority. Entities using this method observe all Financial Accounting Standards Board (FASB) Statements and Interpretations in the preparation of financial statements, unless the GASB has specifically addressed the accounting issue in one of its own pronouncements. GASB-20-"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting" addresses the applicability of the various FASB's, and allows several options in the use of the FASB's. The Authority has elected to use Alternative 2 of GASB-20 which states that "a proprietary activity may also apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Authority follows GASB-45-"Accounting for Pensions by State and Local Governmental Employers."

New Accounting Standards Adopted

Statement No. 63 of the Government Accounting Standards Board ("GASB 63") *Financial Reporting of deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* was issued in June 2012. This Statement results in a change in the presentation of the Authority's Statement of Net Assets to what is now referred to as the Statements of Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Statement No. 65 of the Government Accounting Standards Board ("GASB 65") *Items Previously Reported as Assets and Liabilities* was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

Basis of Accounting –

The financial statements of the Authority are prepared under the accrual basis of accounting in order to recognize the flow of economic resources. Under the accrual basis of accounting, transactions are recognized when they occur, regardless of when cash is received or disbursed. Revenues and expenses are recognized on the accrual basis, with revenues recognized in the accounting period in which they are earned and become measurable, and expenses recognized in the period incurred, if measurable. Operating revenue and expenses consist of those revenue and expenses that result from ongoing principal operations of the Authority. All assets, liabilities, net assets, revenue, and expenses are accounting for through a single enterprise fund for the primary government.

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, capital grants, and other revenue.

HUD's rent subsidy program provides housing to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a \$50 minimum; it cannot exceed the greater of the following amounts:

- (a) 30% of the family's adjusted monthly income,
- (b) 10% of the family's monthly income, or
- (c) Housing Authority of the County of Morris's flat rent amount.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are considered to be accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

HUD operating, capital grants which finance capital and current operations are susceptible to accrual and recognized during the year earned in accordance with applicable HUD program guidelines. The Capital Fund Grant program contributions are expenditure driven grants with the revenue from the grant classified based on the expenditure. If the funds were expended for capital activities, the revenue is reported as capital contribution; if the funds are expended for other than capital, the revenue is reported as operating revenue.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Basis of Accounting – Continued

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

Other revenue is income composed primarily of miscellaneous services fees and residents late charges. The revenue is recorded as earned since it is measurable and available.

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

All assets, liabilities, net positions, revenue, and expenses are accounting for through a single enterprise fund for the primary government. In enterprise funds, activity is recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Report Presentation -

The Authority's basic financial statements are presented on an entity-wide basis consisting of various housing programs. The financial statements included in this report were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America. In accordance with GASB Statement No. 34, the report includes Management's Discussion and Analysis. The Authority has implemented the general provisions of GASB Statement No. 34.

Also the Authority adopted the provisions of Statement No. 37 "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" Statement No. 38 "Certain Financial Statement Note Disclosures", and Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" which supplements GASB Statement No. 34.

GASB Statement No. 34 established standards for external financial reporting for all State and Local Governments entities that includes a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flow.

GASB Statement No. 63 requires the classification of "net assets" into "net position" which consists of three components, Net Investment in Capital Assets, Restricted, and Unrestricted.

The adoptions of Statement No. 34, Statement No. 37, Statement No. 38, and Statement No. 63 have no significant effect on the financial statements except, for the classification of net position in accordance with Statement No. 63.

Net Investment in Capital Assets.

The net position consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.

Restricted.

The net position less that are subject to constraints on their use by creditors, grantors, contributors, legislation, or other governmental laws or regulations.

Unrestricted.

The net position consists of net assets that do not meet the definition of Restricted Net Position or Net Investment in Capital Assets.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. Cash and cash equivalents include cash in banks, petty cash and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 - The Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of accounting Procedure issued after November 30, 1989.

9 – The Authority does not have any infrastructure assets for its Enterprise Fund.

10 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

11- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Other accounting policies - Continued

11-Continued - proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

12- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

13- When expenses are incurred where both restricted and unrestricted net assets are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net assets will be used.

14- Fair Value Measurements – Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Generally accepted accounting principles defined a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs, other than quoted prices in active markets that are observable either directly or indirectly; and
- Level 3: Unobservable inputs for which there is little or no market data, which requires the Authority to develop assumptions.

The carrying amounts reported for cash and short-term investments approximate fair value.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Budgetary and Policy Control -

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. The Authority submits its annual operating subsidy and capital budget to U.S. Department of Housing and Urban Development. Budgetary Comparison under GASB No. 34, budgetary comparison information is required to be presented for the Low Rent Housing Program and the Housing Choice Voucher Program which the Board of Commissions has legally adopted the budget during the year. The budgetary comparison schedules have been provided for these programs to demonstrate compliance with the budgets. The comparison of actual results to the Authority's for the Low Income Public Housing Program found on page 52 the Section Eight Housing Choice Voucher Program on page 53.

Activities - The only programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Low Rent Public Housing	14.850	NJ92-1,2,3,5,7	303
Public Housing Capital Fund Program	14.872	NJ92	N/A
Resident Opportunity and Supportive Services	14.885	NJ92	N/A
<u>Section 8</u>			
Housing Choice Vouchers	14.871	NJ39-VO92	634
N/C S/R Program - Section 8 Program	14.182	NJ39-SRO-92	100
<u>RD Programs</u>			
1- Morris Mews Development	10.427	35-14-22600-2462	101
2- Congregate Housing Development	10.427	35-14-22600-2462	19

Rural Development (RD) Programs:

The RD programs consist of two projects. The Morris Mews (N/C S/R) project has 100 rental units which receives HAP Subsidy from HUD. The other project is known as Congregate Housing Program which receives Rental Subsidy. HUD and RD provides annual funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

- 1.) Project receives a HAP Subsidy from HUD. The project is referred to as Morris Mews.
- 2.) The Project receives a Rental Subsidy. The Project is referred to as the Congregate Housing Project since it includes space for a Congregate Housing Program.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

Activities – Continued

State - Congregate Housing Services Program

The Congregate Housing Services Program offers grants to States, to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing.

Taxes - Under federal, state, and local law, the Authority's program are exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority must pay the municipality the lesser of 10% of its net shelter rent or the approximate full real property taxes

Grants - The Authority receives reimbursement from various grantors for the cost of sponsored projects, including administrative cost. Grant revenues are recognized as income when earned. Grant expenditures are recognized on the accrual basis.

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

- 1.) The ability of the Board to exercise supervision of a component unit's financial independence.
- 2.) The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
- 3.) The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
- 4.) The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
- 5.) The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 – ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2013divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, and the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2013 and 2012 amounted to \$149,003 and \$146,234.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase. It is the Authority's policy to maintain collateralization in accordance with the State of New Jersey and HUD requirements.

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

The book balances at December 31, 2013 and 2012 for unrestricted cash were \$1,551,672 and \$1,279,942, restricted cash of \$1,142,858 and \$1,017,934, and investments of \$2,045,895 and \$2,235,453 as discussed below:

	December-13	December-12
The Provident Bank	\$ 1,783,181	\$ 1,290,573
PNC Bank	508,246	605,201
Bank of America	401,811	401,511
Valley National	1,200	500
Wells Fargo	92	92
Union Center Bank	2,045,895	2,235,452
Total Cash, Cash Equivalents, and Investments	<u>\$ 4,740,425</u>	<u>\$ 4,533,329</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Custodial and Credit Risk

The Authority's bank balances of deposits were either entirely insured by the FDIC or collateralized with securities pledged in third party custodial accounts of the pledging financial institutions in the Authority's name.

The Authority has total restricted cash at December 31, 2013 and 2012 in the amount of \$1,142,858 and \$1,017,934, respectively, which consists of the following:

	December-13	December-12
Tenant Security Deposit	\$ 186,063	\$ 184,800
HAP Reserve	229,474	222,702
Rural Housing Reserve	135,933	135,756
Morris Mews Reserves	401,811	401,511
FSS Participants	189,577	73,165
Total Restricted Cash, Cash Equivalents	<u>\$ 1,142,858</u>	<u>\$ 1,017,934</u>

The tenant security deposit restricted cash at December 31, 2013 was in the amount of \$186,063 and \$184,800 at December 31, 2012.

The Authority has restricted cash in the amount of \$229,474 as of December 31, 2013 and \$222,702 as of 2012 which is for the Section 8 Housing Choice Voucher Program HAP Reserve. In accordance with HUD's PIH Notice 2007-03, started January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the reserve fund balance and may only be used to assist additional families up to the number of units under contract.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 5 - ACCOUNTS RECEIVABLE

The Housing Authority of the County of Morris carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Accounts Receivable at December 31, 2013 and 2012 consisted of the following:

	December-13	December-12
Tenants Accounts Receivable - Present	\$ 20,933	\$ 27,266
Less Allowance for Doubtful Accounts	(7,231)	(7,692)
Net Tenants Accounts Receivable	13,702	19,574
Accounts Receivable - Tenants Fraud Recovery	77,004	44,353
Less Allowance for Doubtful Accounts	(56,432)	(44,353)
Net Accounts Receivable - Fraud Recovery	20,572	-
Accounts Receivable - State of New Jersey	7,423	10,325
Accounts Receivable - Local Government Agencies	27,075	38,280
Accounts Receivable - HUD	-	10,228
Total Other Receivables	34,498	58,833
Total Accounts Receivable	\$ 68,772	\$ 78,407

NOTE 6 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at December 31, 2013 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

NOTE 7 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated by an appraisal value. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$500 are expensed when incurred.

Donated fixed assets are stated at their fair value on the date donated. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Housing Authority of the County of Morris has given consideration to the Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS No. 144) in the preparation of these financial statements. The carrying value of long-live assets in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," when indications of an impairment are present, the recoverability of the carrying value of the asset in question are assessed based on the future undiscounted cash flow expected to result from their use. If the carrying value cannot be recovered, impairment losses would be recognized to the extent the carrying value exceeds fair value. The Authority has not recognized any impairment in the carry value of its fixed assets at December 31, 2013.

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2013:

	December-12	Additions	Disposal	Transfer	December-13
Land	\$ 1,735,369	\$ -	\$ -	\$ -	\$ 1,735,369
Building	37,635,677	215,725	-	-	37,851,402
Furniture, Equipment - Dwelling	708,706	59,556	-	153,577	921,839
Furniture, Equipment - Administration	555,117	32,847	-	(153,577)	434,387
Leasehold Improvements	-	-	-	152,457	152,457
Construction in Process	871,056	179,577	-	(152,457)	898,176
Total Fixed Assets	41,505,925	487,705	-	-	41,993,630
Accumulated Depreciation	(17,893,983)	(1,089,625)	-	-	(18,983,608)
Net Book Value	\$ 23,611,942	\$ (601,920)	\$ -	\$ -	\$ 23,010,022

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 7 - FIXED ASSETS - CONTINUED

Below is a schedule of changes in fixed assets for the twelve months ending December 31, 2012:

	December-11	Additions	Disposal	Transfer	December-12
Land	\$ 1,735,369	\$ -	\$ -	\$ -	\$ 1,735,369
Building	36,155,640	375,040	-	1,104,997	37,635,677
Furniture, Equipment - Dwelling	695,111	13,595	-	-	708,706
Furniture, Equipment - Administration	553,164	4,535	(2,582)	-	555,117
Construction in Process	1,891,351	84,702	-	(1,104,997)	871,056
Total Fixed Assets	41,030,635	477,872	(2,582)	-	41,505,925
Accumulated Depreciation	(16,838,187)	(1,058,378)	2,582	-	(17,893,983)
Net Book Value	\$ 24,192,448	\$ (580,506)	\$ -	\$ -	\$ 23,611,942

NOTE 8- GRANTS RECEIVABLE

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$500,000. The Authority received a net amount of \$474,137. The funds received were deposited with the Wells Fargo Bank which is acting as the Trustee. All funds must be expended within a four year period. The Trustee must receive copies of all invoices prior to release of funds. The Trustee may only draw funds from HUD E-LOCCS for repayment of debt and related interest. The amount of HUD future CFP State Leveraging Program funds receivable at December 31, 2013 is as follows:

	December-13	December-12
HUD CFP Future Funds Receivable	\$ -	\$ 178,649
Less: Current Receivable	-	(10,000)
Net of Current Receivable	\$ -	\$ 168,649

For the year ended December 31, 2013 the Authority changed its method of accounting for its grants receivable in accordance with accounting policies preferred by the United States Department of Housing and Urban Development as provided by GASB. During the year ended December 31, 2013, the Authority wrote off any remaining future receivables associated with the bonds.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 9- FINANCING COST

During 2007, the Authority entered into a Capital Fund leveraging pool and incurred underwrites cost at the closing with the Capital Program Revenue Bonds. The leveraging cost is recorded as other assets and amortized over the life of the bond using the straight line method. The following is a summary of the changes in prepaid financing costs for the years ended December 31, 2013 and 2012:

	December-13	December-12
Capital Fund Leveraging - Underwriter's Cost	\$ -	\$ 25,862
Less Amortization - Underwriter's Cost	-	(6,465)
Net Book Value - Underwriter's Cost	<u>\$ -</u>	<u>\$ 19,397</u>

For the year ended December 31, 2013 the Authority changed its method of accounting for its financing cost in accordance with accounting policies preferred by the United States Department of Housing and Urban Development as provided by GASB. During the year ended December 31, 2013 the Authority wrote off any remaining costs associated with the bonds.

NOTE 10 - ACCOUNTS PAYABLE

The Authority reported accounts payable on its statement of net position as of December 31, 2013 and 2012. Accounts payable vendors are amount owing to creditors as a result of delivered goods and completed services. The Authority accounts payable at December 31, 2013 and 2012 in the amount of \$548,321 and \$268,322, respectively consist of the following:

	December-13	December-12
Accounts Payable Vendors	\$ 448,963	\$ 165,106
Accounts Payable - P.I.L.O.T.	99,358	103,216
Total Accounts Payable	<u>\$ 548,321</u>	<u>\$ 268,322</u>

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 11 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the County of Morris. Under the Cooperation Agreements, the Authority must pay the municipality the littlest of 10% of its net shelter rent or the approximate full real property taxes. PILOT payable at December 31, 2013 and 2012 consist of the following:

	December-13	December-12
Balance Beginning of Year	\$ 103,216	\$ 93,420
P.I.L.O.T. Accrued	99,358	103,216
Less Payments Made	(103,216)	(93,420)
Total P.I.L.O.T. Payable	<u>\$ 99,358</u>	<u>\$ 103,216</u>

NOTE 12 – ACCRUED EXPENSES

The Authority reported accrued expenses on its statement of net position. Accrued expenses are liabilities covering expenses incurred on or before December 31. Accrued expenses at December 31, 2013 and 2012 consisted of the following:

	December-13	December-12
Accrued Interest Payable	\$ 28,563	\$ 26,999
Compensated Absences - Current Portion	18,975	17,536
Total Accrued Liabilities	<u>\$ 47,538</u>	<u>\$ 44,535</u>

NOTE 13 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

NOTE 13 – ACCRUED COMPENSATED ABSENCES - CONTINUED

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

	December-13	December-12
Accumulated Sick Time	\$ 58,395	\$ 29,060
Accumulated Vacation Time	103,453	120,505
Accrued Payroll Taxes	27,906	25,791
Total	189,754	175,356
Compensated Absences - Current Portion	(18,975)	(17,536)
Total Compensated Absences - Noncurrent	\$ 170,779	\$ 157,820

NOTE 14 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The unearned revenue account balance at December 31, 2013 is \$2,800 and \$4,322 for 2012 and consists of prepaid rents for January 2014 and 2013.

NOTE 15 – OTHER CURRENT LIABILITIES

The Authority reported other current liabilities on its statement of net position for December 31, 2013 in the amount of \$45,471 and \$-0- for December 31, 2012. The liabilities for 2013 consisted of payroll fees and an amount being donated to Morris County Affordable Housing Corporation during the 2014 fiscal year.

NOTE 16 – NON CURRENT LIABILITY - FSS ESCROW PAYABLE

The Authority administers a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited. The bank account balance at December 31, 2013 is \$189,577 and \$135,158 for 2012.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 17 – LONG TERM DEBT

At December 31, 1999, the Authority's Long Term Debt (guaranteed by HUD), in accordance with HUD's GAAP Conversion Guide, the Long Term Debt and related debt service accounts were written off.

GASB Interpretation No. 2, "Disclosure of Conduit Debt Obligations," provided guidance as to the proper GAAP treatment of this HUD-guaranteed debt. The debt transactions between the Authority and HUD are similar to conduit debt obligations, which are "certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by the state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer" financial reporting entity. The transaction between the Authority and HUD is similar to HUD giving funds to the Authority to operate and the funds are a capital contribution. HUD has essentially made an investment in the Authority. Therefore, the liability was reclassified as a capital contribution. Since HUD is paying the obligations directly, the outstanding Long Term Debt balance at December 31, 2013 could not be readily determined.

NOTE 18 – LONG TERM DEBT

The Authority has three (3) loans outstanding at December 31, 2013. The details are as follows:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	\$ 2,934,230	\$ 83,491	\$ 3,017,721
Congregate Housing Project	589,142	10,763	599,905
Capital Fund Bond Leveraging	170,000	10,000	180,000
Total Loans Outstanding	\$ 3,693,372	\$ 104,254	\$ 3,797,626

Below are the details as of December 31, 2012:

	Non-Current Portion	Current Portion	Total Loan Outstanding
Morris Mews Project	\$ 3,017,721	\$ 76,332	\$ 3,094,053
Congregate Housing Project	599,905	10,012	609,917
Capital Fund Bond Leveraging	180,000	10,000	190,000
Total Loans Outstanding	\$ 3,797,626	\$ 96,344	\$ 3,893,970

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 18 – LONG TERM DEBT- CONTINUED

A – Morris Mews Project (N/C S/R Section 8 Programs)

Fixed liabilities on the Morris Mews Project represent a loan from RD in the original amount of \$3,716,803, at an interest rate of nine percent (9%). The loan is to be repaid over fifty years with monthly payments of \$23,817, later revised to \$29,308, which began October 1, 1981, and is collateralized, by the buildings and their contents, along with all accounts receivable and bank accounts of the Morris Mews Project. The balance outstanding at December 31, 2013 was \$3,017,721 and is current.

The debt service requirement, as to principal reduction of the mortgage, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2014	83,491	268,207	351,698
2015	91,323	260,375	351,698
2016	99,890	251,808	351,698
2017	109,261	242,437	351,698
2018	119,510	232,188	351,698
Subtotal	503,475	1,255,015	1,758,490
2019-2023	788,282	970,208	1,758,490
2024-2028	1,234,198	524,292	1,758,490
2029-2030	491,766	35,780	527,546
Total	<u>\$ 3,017,721</u>	<u>\$ 2,785,295</u>	<u>\$ 5,803,016</u>

B- Congregate Housing Program (Rural Rental Assistance Payments)

Fixed Liabilities in the Congregate Housing Program represent a loan from RD in the original amount of \$700,000 and capitalized interest of \$1,974 for a total mortgage of \$701,974, at an interest of 7.25% for 40 years. RD provides an interest subsidy and the Authority's monthly payment is \$1,778, and is collateralized by the buildings and their contents, along with all accounts receivable and bank accounts of the Congregate Housing Program.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 18 – LONG TERM DEBT- CONTINUED

B- Congregate Housing Program (Rural Rental Assistance Payments) - Continued

The balance at December 31, 2013 was \$599,905 and is current. The debt service requirement, as to principal reduction of the mortgage, is as follows:

Year	Principal	Interest	Total Payment
2014	10,763	43,140	53,903
2015	11,570	42,333	53,903
2016	12,437	41,466	53,903
2017	13,369	40,534	53,903
2018	14,372	39,531	53,903
Subtotal	62,511	207,004	269,515
2019-2023	89,724	179,791	269,515
2024-2028	128,785	140,730	269,515
2029-2033	184,852	84,663	269,515
2034-2036	134,033	14,209	148,242
Total	\$ 599,905	\$ 626,397	\$ 1,226,302

C- State Leveraging Capital Project Bond

The Authority participated on August 2, 2007 with other New Jersey Housing Authorities in the issuance of \$18,585,000 in Series 2007 HMFA Bonds. The Authority portion of the Series 2007 HMFA Bonds is \$500,000. The purpose of the Bonds is restricted. The proceeds from the Bonds must be used in the renovations and capital improvements to the Authority assets in the Low Income Housing Program. The Bonds are fully registered in denominations of \$5,000. The term of the Bonds is twenty (20) years expiring on November 1, 2027.

The faith and credit of the Housing Authority of the County of Morris was not pledged for payment of principal and interest on the Bonds. Additionally, the Bonds are not an obligation of the State of New Jersey, The United States, or the Housing and Urban Development (HUD). The Bonds are not secured directly or indirectly by any collateral in the Authority Low Income Housing Program.

Interest on the Bonds is payable on May 1 and November 1 commencing on May 1, 2008. The interest is calculated on a basis of three hundred sixty (360) day year of twelve (12) thirty (30) day month.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

NOTE 18 – LONG TERM DEBT- CONTINUED

C- State Leveraging Capital Project Bond - Continued

The Bonds are payable and secured by the Authority Capital Fund Program (CFP), which is subject to the availability of appropriations, and paid to the Authority by HUD.

Under the Bond Agreement, the Authority is required to maintain a Debt Service Reserve Fund located at the Wells Fargo Bank, an amount equal to the debt service reserve fund requirement. If at any time, the amount on deposit in the debt service reserve fund is insufficient to pay the principal and interest when due, the Trustee is authorized to withdraw the amount due from the reserve fund.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

Year	Principal	Interest	Total Payment
2014	10,000	8,423	18,423
2015	10,000	8,005	18,005
2016	10,000	7,582	17,582
2017	10,000	7,155	17,155
2018	10,000	6,690	16,690
Subtotal	\$ 50,000	\$ 37,855	\$ 87,855
2019-2023	65,000	24,825	89,825
2024-2027	65,000	6,755	71,755
Total	\$ 180,000	\$ 69,435	\$ 249,435

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority does not have annual other postemployment benefit ("OPEB") cost. The Authority elected not to pay for any future retiree benefits other than current pension cost resulting in a zero amount to be reported for the GASB Statement No. 45 obligations.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

NOTE 20 – RESTRICTED NET POSITION

The Authority restricted net position account balance at December 31, 2013 is \$767,218. The detail of the reserve account balances are as follows:

	HCV HAP		Morris	
	Reserve	Congregate	Mews	Total
Balance December 31, 2011	\$ 671,486	\$ 128,497	\$ 401,121	\$ 1,201,104
Increase During the Year	-	7,259	390	7,649
Decrease During the Year	(185,532)	-	-	(185,532)
Balance December 31, 2012	485,954	135,756	401,511	1,023,221
Increase During the Year	-	177	300	477
Decrease During the Year	(256,480)	-	-	(256,480)
Balance December 31, 2013	\$ 229,474	\$ 135,933	\$ 401,811	\$ 767,218

Housing Choice Voucher Program - Reserves

Prior to January 1, 2005 excess funds received from the Annual Budget Amount (ABA) by HUD to the Authority for the payment of housing assistance payments (HAP) were returned to HUD at the end of the Authority's calendar year. In accordance with HUD's PIH Notice 2006-03, starting January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract. In November 2007, HUD amended this notice and stated that HAP equity account is restricted. The Authority followed HUD direction and transfer the excess funds from unrestricted to restricted net position.

NOTE 21 – UNRESTRICTED NET POSITION

The Authority's unrestricted net position account balance at December 31, 2013 is \$2,851,430. The detail of the account balance is as follows:

	Low Rent PH	HCV	Congregate	Morris Mews	
	Reserves	Reserve	Reserve	Reserves	Total
Balance December 31, 2011	\$ 1,080,376	\$ 290,616	\$ 9,160	\$ 1,410,255	\$ 2,790,407
Increase During the Year	161,588	-	43,463	3,141	208,192
Decrease During the Year	-	(11,146)	-	-	(11,146)
Balance December 31, 2012	1,241,964	279,470	52,623	1,413,396	2,987,453
Increase During the Year	-	-	48,300	-	48,300
Decrease During the Year	(59,077)	(95,634)	-	(29,612)	(184,323)
Balance December 31, 2013	\$ 1,182,887	\$ 183,836	\$ 100,923	\$ 1,383,784	\$ 2,851,430

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 21 – UNRESTRICTED NET POSITION - CONTINUED

Below is a detail of the HCV Administrative Reserves:

	HCV Adm Reserve
Pre 2004 Administrative Reserve	\$ -
Post 2003 Administrative Reserve	230,210
Balance December 31, 2013	<u>\$ 230,210</u>

NOTE 22 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended December 31, 2013, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, auto, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its buildings for the purpose of determining potential liability issues.

NOTE 23 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Pursuant to the Annual Contribution Contract, HUD makes annual debt service contributions to the Authority for each permanently financed project in the amount equal to the debt service on its bonds, plus, if necessary, an amount to fully amortize the Authority's indebtedness represented by permanent notes or project notes. Accrued HUD contributions for the year ended December 31, 2013 were \$ - 0 -.

HUD also contributes an additional operating subsidy approved in the operating budget under the Annual Contribution Contract. Additional operating subsidy contributions for the year ended December 31, 2013 and 2012 were \$515,404 and \$602,804, respectively.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the N/C S/R Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The programs provide for such payment with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for December 31, 2013 and 2012 were \$5,647,728 and \$5,877,973, respectively, and for N/C S/R program \$914,105 for 2013 and \$927,640 for 2012.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 24 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD for the year ending at December 31, 2013 and 2012 was \$7,554,560 and \$7,724,332 respectively:

Program	CFDA #	December 31	
		2013 Expenditures	2012 Expenditures
<u>Public Housing</u>			
Low Rent Housing	14.850	\$ 515,404	\$ 602,804
Capital Fund	14.872	259,919	127,785
Resident Opportunity and Supportive Services	14.870	36,102	36,102
		<u>811,425</u>	<u>766,691</u>
<u>Section 8</u>			
Housing Choice Vouchers	14.871	5,647,728	5,849,178
N/C S/R Program - Section 8 Program	14.182	914,105	927,640
		<u>6,561,833</u>	<u>6,776,818</u>
Rural Development Rental Assistance Program	14.182	<u>181,302</u>	<u>180,823</u>
Total Awards		<u>\$ 7,554,560</u>	<u>\$ 7,724,332</u>

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. Total financial support by HUD represents approximately 73% percent of the Authority's total revenue for the fiscal year December 31, 2013 and approximately 74% percent for 2012.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements December 31, 2013

NOTE 25 - CONTINGENCIES

Litigation – At December 31, 2013, the Authority was not involved in any threatened litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 26 – SUPPLEMENTAL INFORMATION – (RD)

- The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) in the United States of America.
- An evaluation of the system of internal control was performed. See Independent Auditors Report on Internal Controls.
- The Authority's accounting records were adequate with no recommendations for improvements were made.
- The Authority's physical control over assets was adequate.
- The Authority maintained financial compliance with the loan agreement.
- The financial reports included in the audit are in agreement with the Authority's accounting records.
- All financial records are adequate and suitable for examination.
- There were no unsatisfactory conditions disclosed by the audit.
- Deposit funds were in institutions insured by the Federal Government.
- Payments from operating accounts are disclosed and accurately represented.
- Reserve amount is current and there are no encumbrances.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 26 – SUPPLEMENTAL INFORMATION – (RD) – CONTINUED

- Tenant security deposit accounts are fully funded and are maintained in separate accounts.
- The Authority is exempt from Federal Income Tax.
- There have been no changes in project ownership. The Housing Authority of the County of Morris certifies that the board is active and maintains oversight of the property.
- The real estate taxes are paid in accordance with state and/or local requirements. There are currently no delinquent taxes.
- The Housing Authority of the County of Morris has maintained proper insurance in accordance with the requirements of 7 CFR 3560.105.
- Insurance and Bonding at December 31, 2012 was:

Type	Coverage	Expiration Date
Fidelity Bond	\$1,000,000	December 31, 2014
Property Insurance	15,000,000	December 31, 2014
Liability Insurance	5,000,000	December 31, 2014
Workman's Comp.	5,000,000	December 31, 2014
- Morris Mews at December 31, 2013 and 2012 had Tenants Accounts Receivable of \$12 and \$-0- and Prepaid Rents of \$181 for 2013 and \$-0- for 2012.
- Congregate Housing Project at December 31, 2013 and 2012 had Tenants Accounts Receivable of \$-0- and \$5 respectively. Prepaid Rents at December 31, 2013 and 2012 were \$0 and \$84 respectively.
- Morris Mews has a contract with HUD under the Section 8 – New Construction Program. The Contract provides for annual housing assistance payments from HUD as a rental subsidy. The Congregate Housing Program has a contract with RD for Rental subsidy.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Notes to Financial Statements

December 31, 2013

NOTE 26 – SUPPLEMENTAL INFORMATION – (RD) – CONTINUED

- Buildings and equipment are recorded at historical cost. Depreciation is computed by the straight line method on the basis of the useful life of the assets as follows:
 - Building and Improvements 40 years
 - Furniture and Fixtures 7 years
 - Automobile 5 years
- There are no other information that we believe are necessary for full disclosure.

NOTE 27 – PRIOR PERIOD ADJUSTMENT

For year ending December 31, 2013

The Authority's Low Income Housing Program had a prior period adjustment in the total amount of \$198,046 which consisted of grants receivable in the amount of \$178,649 and financing cost in the amount of \$19,397.

For the year ended December 31, 2013 the Authority changed its method of accounting for its grants receivable and financing cost in accordance with accounting policies preferred by the United States Department of Housing and Urban Development as provided by GASB. During the year ended December 31, 2013, the Authority wrote off any remaining future receivables associated with the bonds and the remaining financing cost that was not amortized yet.

For year ending December 31, 2012

The Authority did not have any prior period adjustment.

NOTE 24 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru May 7, 2014; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**HOUSING AUTHORITY OF THE COUNTY OF MORRIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

<u>Program</u>	<u>CFDA #</u>	<u>Expenditures</u>
<u>Public Housing</u>		
Low Rent Public Housing	14.850	\$ 515,404
Public Housing Capital Fund Program	14.872	259,919
Resident Opportunity and Supportive Services	14.870	36,102
Subtotal		<u>811,425</u>
<u>Section 8</u>		
Housing Choice Vouchers	14.871	5,647,728
N/C S/R Program - Section 8 Program	14.182	914,105
Subtotal		<u>6,561,833</u>
<u>RD Programs</u>		
Rural Rental Assistance Payments	10.427	<u>181,302</u>
Total Awards		<u>\$ 7,554,560</u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Housing Authority of the County of Morris. The information in this schedule is presented in accordance with those requirements of OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Housing Authority of the County of Morris, it is not intended to and does not present the financial position, change in net position, or cash flow of the Housing Authority of the County of Morris.

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowed or limited as to reimbursement.

Note 3. Loans Outstanding:

The Housing Authority of the County of Morris had \$3,797,626 as a loan balance outstanding at December 31, 2013. Note 18 presented on pages 41-44 of this report have full disclosure regarding the loan activity for the Housing Authority of the County of Morris.

Note 4. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the County of Morris did not provide federal awards to any sub recipients.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
LOW RENT PUBLIC HOUSING PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue:			
Tenant Rental Revenue	\$ 1,504,330	\$ 1,526,500	\$ (22,170)
HUD PHA Operating Grants	585,746	678,250	(92,504)
Other Revenue	157,104	95,500	61,604
Total Revenue	2,247,180	2,300,250	(53,070)
Operating Expenses:			
Administration:			
Administrative Salaries	414,788	368,470	(46,318)
Audit Fee's	3,375	10,600	7,225
Employee Benefit Contributions	115,420	151,509	36,089
Other Operating Administrative Expenses	92,276	100,000	7,724
Total Administrative Expenses	625,859	630,579	4,720
Tenant Services:			
Tenant Services Salaries	17,606	42,846	25,240
Employee Benefit Contributions	5,252	17,617	12,365
Tenant Services Other	1,266	1,000	(266)
Total Tenant Services	24,124	61,463	37,339
Utilities:			
Water	70,957	98,350	27,393
Electricity	76,719	105,000	28,281
Gas	205,999	285,000	79,001
Labor	60,330	54,019	(6,311)
Employee Benefit Contributions	19,622	22,212	2,590
Sewer	68,290	69,000	710
Total Utilities	501,917	633,581	131,664
Maintenance:			
Maintenance Labor	122,456	128,375	5,919
Materials	65,042	57,650	(7,392)
Maintenance Contract Cost	399,452	451,234	51,782
Employee Benefit Contributions	41,492	52,786	11,294
Total Maintenance	628,442	690,045	61,603
Other Operating Expenses:			
Insurance	104,140	115,000	10,860
Compensated Absences	8,903	-	(8,903)
Interest Expense	11,122	-	(11,122)
Payment in Lieu of Taxes	99,358	93,000	(6,358)
Collection Losses	6,941	4,000	(2,941)
Total Other Operating Expenses	230,464	212,000	(15,523)
Total Operating Expenses	2,010,806	2,227,668	219,803
Excess Revenue Over Expenses From Operations	236,374	72,582	163,792
Other Income and (Expenses):			
Site Improvements	(281,343)	(197,700)	83,643
Interest Income	4,776	750	(4,026)
Extraordinary Maintenance	(18,884)	-	
Total Other (Expenses) and Income	(295,451)	(196,950)	79,617
Excess Expenses over Revenue	\$ (59,077)	\$ (124,368)	\$ 65,291

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
BUDGETARY COMPARISON SCHEDULE
HOUSING CHOICE VOUCHER PROGRAM
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013

	Actual Results	Budget Approved Amount	Variance to Budget Positive (Negative)
Revenue - Annual Contribution Required			
Housing Assistance Payments	\$ 5,120,562	\$ 5,413,392	\$ (292,830)
Ongoing Administrative Fees Earned	527,166	629,850	(102,684)
Other Income	519,938	100,500	419,438
Total Revenue	6,167,666	6,143,742	23,924
Operating Expenses:			
Administration:			
Administrative Salaries	407,817	352,382	(55,435)
Audit Fee's	4,000	4,000	-
Employee Benefit Contributions	121,397	109,627	(11,770)
Other Operating Administrative Expenses	166,118	128,600	(37,518)
Total Administrative Expenses	699,332	594,609	(104,723)
Maintenance:			
Maintenance Labor	-	55,132	(55,132)
Employee Benefit Contributions	-	34,100	(34,100)
Total Maintenance	-	89,232	(89,232)
Other Operating Expenses:			
Insurance	11,045	25,500	14,455
Other General Expenses	15,621	-	(15,621)
Housing Assistance Payments	5,363,765	5,413,392	49,627
HAP Portability Payments	430,295	-	(430,295)
Total Other Operating Expenses	5,820,726	5,438,892	(381,834)
Total Operating Expenses	6,520,058	6,122,733	(486,557)
Excess Revenue Over Expenses From Operations	(352,392)	21,009	(373,401)
Other Income and (Expenses):			
Investment Income	1,115	1,500	(385)
Equipment Purchase - Administration	(837)	-	(837)
Transfer In From Restricted Reserves	256,480	-	256,480
Total Other Income and (Expenses)	256,758	1,500	255,258
Excess Expenses over Revenue	\$ (95,634)	\$ 22,509	\$ (118,143)

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2013

	NJ39P092501-09		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 6,000	\$ 6,000	\$ -
Management Improvement	7,000	7,000	-
Administration	5,000	5,000	-
Fees & Costs	21,000	21,000	-
Dwelling Structures	318,002	318,002	-
Bond Debt Obligation	20,189	20,189	-
Total	<u>\$ 377,191</u>	<u>\$ 377,191</u>	<u>\$ -</u>
Funds Advanced	\$ 377,191		
Funds Expended	377,191		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-09 was completed on December 28, 2012.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS
STATEMENT AND CERTIFICATION OF
ACTUAL CAPITAL FUND GRANT COST
AS OF DECEMBER 31, 2013

	NJ39P092501-10		
	Approved Budget	Actual Cost	Overrun
Operations	\$ 26,785	\$ 26,785	\$ -
Management Improvement	10,000	10,000	-
Administration	2,479	2,479	-
Fees & Costs	13,000	13,000	-
Dwelling Structures	151,834	151,834	-
Non-Dwelling Equipment	149,875	149,875	-
Bond Debt Obligation	19,684	19,684	-
Total	<u>\$ 373,657</u>	<u>\$ 373,657</u>	<u>\$ -</u>
Funds Advanced	\$ 373,657		
Funds Expended	373,657		
Excess of Funds Advanced	<u>\$ -</u>		

1. The distribution of cost by project and account classification accompanying the Actual Capital Fund Cost Certificates submitted to HUD for approval were in agreement with the Authority's records.
2. All Capital Fund cost have been paid and all related liabilities have been discharged through payment.
3. The Capital Fund Program 501-10 was completed on January 13, 2014.
4. There were no budget overruns noted.

See accompanying notes to the financial statements.

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10.427 Rural Rental Assistance Payments	14.218 Community Development Block	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$949,400	\$131,149			\$142,838	\$328,285		\$1,551,672		\$1,551,672
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	\$81,318	\$135,933			\$337,733	\$401,811		\$956,795		\$956,795
114 Cash - Tenant Security Deposits	\$142,056	\$8,232				\$35,775		\$186,063		\$186,063
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	\$1,172,774	\$275,314	\$0	\$0	\$480,571	\$765,871	\$0	\$2,694,530	\$0	\$2,694,530
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government							\$0	\$0		\$0
125 Accounts Receivable - Miscellaneous	\$27,075				\$0		\$7,423	\$7,423		\$7,423
126 Accounts Receivable - Tenants	\$20,921					\$12		\$27,075		\$27,075
126.1 Allowance for Doubtful Accounts - Tenants	\$-7,231					\$0		\$20,933		\$20,933
126.2 Allowance for Doubtful Accounts - Other	\$0					\$0		\$-7,231		\$-7,231
127 Notes, Loans, & Mortgages Receivable - Current								\$0		\$0
128 Fraud Recovery	\$27,765				\$49,239			\$77,004		\$77,004
128.1 Allowance for Doubtful Accounts - Fraud	\$-7,202				\$-49,230			\$-56,432		\$-56,432
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$61,328	\$0	\$0	\$0	\$9	\$12	\$7,423	\$68,772	\$0	\$68,772
131 Investments - Unrestricted	\$707,287				\$126,117	\$1,212,491		\$2,045,895		\$2,045,895
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets										
143 Inventories										
143.1 Allowance for Obsolete Inventories										
144 Inter Program Due From						\$7,423		\$7,423	\$-7,423	\$0
145 Assets Held for Sale										
150 Total Current Assets	\$1,941,389	\$275,314	\$0	\$0	\$606,697	\$1,985,797	\$7,423	\$4,816,620	\$-7,423	\$4,809,197
161 Land	\$1,735,369							\$1,735,369		\$1,735,369
162 Buildings	\$28,616,837	\$2,075,561				\$7,159,004		\$37,851,402		\$37,851,402
163 Furniture, Equipment & Machinery - Dwellings	\$310,271	\$71,110			\$154,414	\$386,044		\$921,839		\$921,839
164 Furniture, Equipment & Machinery - Administration	\$434,387							\$434,387		\$434,387
165 Leasehold Improvements	\$152,457							\$152,457		\$152,457
166 Accumulated Depreciation	\$-13,469,745	\$-764,473			\$-108,040	\$-4,641,350		\$-18,983,608		\$-18,983,608
167 Construction in Progress	\$898,176							\$898,176		\$898,176
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$18,677,752	\$1,382,198	\$0	\$0	\$46,374	\$2,903,698	\$0	\$23,010,022	\$0	\$23,010,022
171 Notes, Loans and Mortgages Receivable - Non-Current										
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10,427 Rural Rental Assistance Payments	14,218 Community Development Block	14,870 Resident Opportunity and	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$18,677,752	\$1,382,198	\$0	\$0	\$46,374	\$2,903,698	\$0	\$23,010,022	\$0	\$23,010,022
190 Total Assets	\$20,619,141	\$1,657,512	\$0	\$0	\$653,071	\$4,889,495	\$7,423	\$27,826,642	-\$7,423	\$27,819,219
200 Deferred Outflow of Resources										
290 Total Assets and Deferred Outflow of Resources	\$20,619,141	\$1,657,512	\$0	\$0	\$653,071	\$4,889,495	\$7,423	\$27,826,642	-\$7,423	\$27,819,219
311 Bank Overdraft										
312 Accounts Payable <= 90 Days										
313 Accounts Payable >90 Days Past Due	\$270,109	\$24,534			\$50,087	\$104,233		\$448,963		\$448,963
321 Accrued Wage/Payroll Taxes Payable										
322 Accrued Compensated Absences - Current Portion	\$11,733				\$3,504	\$3,738		\$18,975		\$18,975
324 Accrued Contingency Liability										
325 Accrued Interest Payable	\$1,438	\$4,492				\$22,633		\$28,563		\$28,563
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects	\$99,358							\$99,358		\$99,358
333 Accounts Payable - Other Government	\$142,056	\$8,232				\$35,775		\$186,063		\$186,063
341 Tenant Security Deposits	\$2,619					\$181		\$2,800		\$2,800
342 Unearned Revenue	\$10,000	\$10,763				\$83,491		\$104,254		\$104,254
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue										
344 Current Portion of Long-term Debt - Operating Borrowings	\$44,271	\$1,200						\$45,471		\$45,471
345 Other Current Liabilities										
346 Accrued Liabilities - Other										
347 Inter Program - Due To							\$7,423	\$7,423	-\$7,423	\$0
348 Loan Liability - Current										
310 Total Current Liabilities	\$581,584	\$49,221	\$0	\$0	\$53,591	\$250,051	\$7,423	\$941,870	-\$7,423	\$934,447
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$170,000	\$589,142				\$2,934,230		\$3,693,372		\$3,693,372
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other	\$81,318				\$108,259			\$189,577		\$189,577
354 Accrued Compensated Absences - Non Current	\$105,600				\$31,537	\$33,642		\$170,779		\$170,779
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities										
350 Total Non-Current Liabilities	\$356,918	\$589,142	\$0	\$0	\$139,796	\$2,967,872	\$0	\$4,053,728	\$0	\$4,053,728
300 Total Liabilities	\$938,502	\$638,363	\$0	\$0	\$193,387	\$3,217,923	\$7,423	\$4,995,598	-\$7,423	\$4,988,175
400 Deferred Inflow of Resources										

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10.427 Rural Rental Assistance Payments	14.218 Community Development Block	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
508.4 Net Investment in Capital Assets	\$18,497,752	\$782,293	\$0	\$0	\$46,374	-\$114,023		\$19,212,396		\$19,212,396
511.4 Restricted Net Position		\$135,933		\$0	\$229,474	\$401,811		\$767,218		\$767,218
512.4 Unrestricted Net Position	\$1,182,887	\$100,923	\$0	\$0	\$183,836	\$1,383,784	\$0	\$2,851,430		\$2,851,430
513 Total Equity - Net Assets / Position	\$19,680,639	\$1,019,149	\$0	\$0	\$459,684	\$1,671,572	\$0	\$22,831,044	\$0	\$22,831,044
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$20,619,141	\$1,657,512	\$0	\$0	\$653,071	\$4,889,495	\$7,423	\$27,826,642	-\$7,423	\$27,819,219

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10.427 Rural Rental Assistance Payments	14.218 Community Development Block	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 NJC S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,504,330	\$72,154				\$356,241		\$1,932,725		\$1,932,725
70400 Tenant Revenue - Other										
70500 Total Tenant Revenue	\$1,504,330	\$72,154	\$0	\$0	\$0	\$356,241	\$0	\$1,932,725	\$0	\$1,932,725
70600 HUD PHA Operating Grants	\$585,746	\$181,302		\$36,102	\$5,647,728	\$914,105	\$0	\$7,384,983		\$7,384,983
70610 Capital Grants	\$189,577							\$189,577		\$189,577
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue							\$0	\$0	\$0	\$0
70800 Other Government Grants										
71100 Investment Income - Unrestricted	\$4,776	\$55			\$500	\$6,606	\$47,013	\$47,013		\$47,013
71200 Mortgage Interest Income								\$11,937		\$11,937
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	\$49,473				\$36,186			\$85,659		\$85,659
71500 Other Revenue	\$107,631	\$1,839			\$483,752	\$86,762	\$13,878	\$693,862		\$693,862
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted		\$177			\$615	\$301		\$1,093		\$1,093
70000 Total Revenue	\$2,441,533	\$255,527	\$0	\$36,102	\$6,168,781	\$1,364,015	\$60,891	\$10,326,849	\$0	\$10,326,849
91100 Administrative Salaries	\$414,788	\$14,461		\$27,072	\$407,817	\$153,628		\$1,017,766		\$1,017,766
91200 Auditing Fees	\$3,375	\$375			\$4,000	\$2,000		\$9,750		\$9,750
91300 Management Fee										
91310 Book-keeping Fee										
91400 Advertising and Marketing										
91500 Employee Benefit Contributions - Administrative	\$115,420	\$5,589		\$9,030	\$121,397	\$57,662		\$309,098		\$309,098
91600 Office Expenses		\$2,733			\$66,391	\$9,920		\$79,044		\$79,044
91700 Legal Expense	\$26,464	\$1,536			\$33,304	\$4,095		\$65,399		\$65,399
91800 Travel										
91810 Allocated Overhead										
91900 Other	\$85,812	\$2,158			\$66,423	\$15,869	\$0	\$150,262		\$150,262
91000 Total Operating - Administrative	\$625,859	\$26,852	\$0	\$36,102	\$639,332	\$243,174	\$0	\$1,631,319	\$0	\$1,631,319
92000 Asset Management Fee										
92100 Tenant Services - Salaries	\$17,606						\$42,840	\$60,446		\$60,446
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services	\$5,252						\$245	\$5,497		\$5,497
92400 Tenant Services - Other	\$1,268						\$17,806	\$19,072		\$19,072
92500 Total Tenant Services	\$24,124	\$0	\$0	\$0	\$0	\$0	\$60,891	\$85,015	\$0	\$85,015

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10.427 Rural Rental Assistance Payments	14.218 Community Development Block	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
93100 Water	\$70,957	\$7,119				\$40,225		\$118,301		\$118,301
93200 Electricity	\$76,719	\$14,186				\$56,342		\$147,247		\$147,247
93300 Gas	\$205,989	\$8,619				\$4,575		\$219,193		\$219,193
93400 Fuel										
93500 Labor	\$60,330							\$60,330		\$60,330
93600 Sewer	\$68,290	\$8,644				\$48,986		\$125,920		\$125,920
93700 Employee Benefit Contributions - Utilities	\$19,622							\$19,622		\$19,622
93800 Other Utilities Expense		\$437				\$2,131		\$2,568		\$2,568
93900 Total Utilities	\$501,917	\$39,005	\$0	\$0	\$0	\$152,259	\$0	\$693,181	\$0	\$693,181
94100 Ordinary Maintenance and Operations - Labor	\$122,456	\$12,173				\$122,147		\$256,776		\$256,776
94200 Ordinary Maintenance and Operations - Materials and Other	\$85,042	\$12,158				\$71,751		\$148,951		\$148,951
94300 Ordinary Maintenance and Operations Contracts	\$399,452	\$35,326				\$133,190		\$567,968		\$567,968
94500 Employee Benefit Contributions - Ordinary Maintenance	\$41,492	\$4,572				\$47,637		\$93,701		\$93,701
94000 Total Maintenance	\$628,442	\$64,229	\$0	\$0	\$0	\$374,725	\$0	\$1,067,396	\$0	\$1,067,396
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$54,721	\$9,459				\$36,921		\$101,101		\$101,101
96120 Liability Insurance										
96130 Workmen's Compensation	\$49,419				\$11,045			\$60,464		\$60,464
96140 All Other Insurance										
96100 Total Insurance Premiums	\$104,140	\$9,459	\$0	\$0	\$11,045	\$36,921	\$0	\$161,565	\$0	\$161,565
96200 Other General Expenses										
96210 Compensated Absences	\$8,903				\$12,961			\$12,961		\$12,961
96300 Payments in Lieu of Taxes	\$99,358				\$2,660	\$2,834		\$14,397		\$14,397
96400 Bad debt - Tenant Rents	\$6,941							\$99,358		\$99,358
96500 Bad debt - Mortgages								\$6,941		\$6,941
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	\$115,202	\$0	\$0	\$0	\$15,621	\$2,834	\$0	\$133,657	\$0	\$133,657
96710 Interest of Mortgage (or Bonds) Payable										
96720 Interest on Notes Payable (Short and Long Term)	\$11,122	\$43,891				\$274,141		\$329,154		\$329,154
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	\$11,122	\$43,891	\$0	\$0	\$0	\$274,141	\$0	\$329,154	\$0	\$329,154
96900 Total Operating Expenses	\$2,010,806	\$183,436	\$0	\$36,102	\$725,998	\$1,084,054	\$60,891	\$4,101,287	\$0	\$4,101,287

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)

MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10,427 Rural Rental Assistance Payments	14,218 Community Development Block	14,870 Resident Opportunity and	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	\$430,727	\$72,091	\$0	\$0	\$5,442,783	\$279,961	\$0	\$6,225,562	\$0	\$6,225,562
97100 Extraordinary Maintenance	\$18,884	\$1,650				\$15,050		\$35,584		\$35,584
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments					\$5,363,765			\$5,363,765		\$5,363,765
97350 HAP Portability-In					\$430,295			\$430,295		\$430,295
97400 Depreciation Expense	\$780,735	\$56,228			\$10,974	\$241,688		\$1,089,625		\$1,089,625
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	\$2,810,425	\$241,314	\$0	\$36,102	\$6,531,032	\$1,340,792	\$60,891	\$11,020,556	\$0	\$11,020,556
10010 Operating Transfer In										
10020 Operating transfer Out										
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In										
10094 Transfers between Project and Program - Out										
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$368,692	\$14,213	\$0	\$0	-\$362,251	\$23,223	\$0	-\$693,707	\$0	-\$693,707
11020 Required Annual Debt Principal Payments	\$10,000	\$24,535				\$83,492		\$118,027		\$118,027
11030 Beginning Equity	\$20,095,120	\$1,004,936			\$821,935	\$1,648,349		\$23,722,797		\$23,722,797
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$45,589							-\$198,046		-\$198,046
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity					\$230,210			\$230,210		\$230,210
11180 Housing Assistance Payments Equity					\$229,474			\$229,474		\$229,474
11190 Unit Months Available	3636	228			7608	1200		12672		12672
11210 Number of Unit Months Leased	3617	224			7605	1191		12637		12637
11270 Excess Cash	\$1,116,782							\$1,116,782		\$1,116,782

See accompanying notes to the financial statements

Morris County Housing Authority (NJ092)
MORRISTOWN, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2013

	Project Total	10.427 Rural Rental Assistance Payments	14.218 Community Development Block	14.870 Resident Opportunity and	14.871 Housing Choice Vouchers	14.182 N/C S/R Section 8 Programs	2 State/Local	Subtotal	ELIM	Total
11610 Land Purchases	\$0							\$0		\$0
11620 Building Purchases	\$0							\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0		\$0
11650 Leasehold Improvements Purchases	\$179,577							\$179,577		\$179,577
11660 Infrastructure Purchases	\$0							\$0		\$0
13510 CFFP Debt Service Payments	\$19,684							\$19,684		\$19,684
13901 Replacement Housing Factor Funds	\$0							\$0		\$0



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the County of Morris (hereafter referred to as the Authority), which comprise the statement of net position as of December 31, 2013 and the related statements of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the County of Morris's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the County of Morris's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Morris's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of Morris's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: May 7, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

Report on Compliance

We have audited the Housing Authority of the County of Morris's (hereafter referred to as the Authority), compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* applicable to Authority's major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs .

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Housing Authority of the County of Morris's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of Morris's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of the County of Morris's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of the County of Morris complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Housing Authority of the County of Morris is responsible for establishing and maintaining effective internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: May 7, 2014

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost

Year Ended December 31, 2013

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Housing Authority of the County of Morris.
2. No significant deficiencies relating to the audit of the financial statements are reported in the INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the County of Morris were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*.
5. The auditor's report on compliance for the Housing Choice Voucher Program, N/C S/R Section 8 Programs, and Low Rent Public Housing Program expresses an unmodified opinion.
6. No Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this Schedule.
7. The program tested as major program was:
 - a. Housing Choice Voucher Program, CFDA#14.871 with expenditures of \$5,647,728.
 - b. N/C S/R Section 8 Programs, CFDA#14.182 with expenditures of \$914,105.
 - c. Low Rent Public Housing Program, CFDA#14.850 with expenditures of \$515,404.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Housing Authority of the County of Morris qualifies as a low risk auditee.

HOUSING AUTHORITY OF THE COUNTY OF MORRIS

Schedule of Findings and Questioned Cost

Year Ended December 31, 2013

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported



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Independent Accountant's Report on Agreed-Upon Procedures

Board of Commissioners
Housing Authority of the County of Morris
99 Ketch Road
Morristown, New Jersey 07960

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents. This agree-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart.

We were engaged to perform an audit in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, for the Housing Authority as of and for the fiscal year ended December 31, 2013, and have issued our report thereon dated May 7, 2014. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Financial Data Schedule (FDS) dated December 31, 2013, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB Circular A-133, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority of the County of Morris and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Hymanson, Parnes & Giampaolo
Date: May 7, 2014

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>

<u>Firm Name</u>	Hymanson Parnes & Giampaolo
<u>Employer Identification Number</u>	22-3554220
<u>Date</u>	May 7, 2014
<u>UII#</u>	#66170
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